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FRANCE: Organic Food Report

1999

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Report Highlights:
Organic food is still a niche market in France in terms of value, representing 0.5 percent of total French retail food sales. However, it constitutes a growing market both for sales and the image it transmits to consumers. As a result of the French Government action plan to stimulate organic agricultural production and distribution in France, sales of organic products are expected to reach FF 15 billion ($2.5 billion) by the year 2003.

The range of organic foods in France is still relatively limited. U.S. exporters who can provide a steady supply of high quality organic products at a reasonable price may find good export opportunities in this market. Best prospects are grains, almonds, pistachios, dried fruits, flour, tropical fruits, milk and organic proteins for animal feed. Certain areas are almost unexploited such as vegetarian meals, veggie burgers, salad dressings, sauces, ethnic dishes, baby foods and soups.

Includes PSD changes: No
Includes Trade Matrix: No
Unscheduled Report
Paris [FR1], FR

SECTION I. SUMMARY

In 1998, sales of organic food products in France were estimated at 4 billion FF ($0.7 billion). Although organic foods still account for 0.5 percent of total French retail food sales, it is a growing market and is expected to reach FF 15 billion ($2.6 billion) by the year 2003. Major domestically produced organic products are grains, cereals, dairy products, fresh and processed fruit and vegetables, poultry, baby foods, meat and poultry. French supermarket chains account for almost half of organic food sales. The remaining half is split among health food stores, direct sales and open air organic foods markets.

France is both a market for and a competitor of U.S. suppliers. French consumers' concerns about health and safety issues are driving the rise in demand for organic food products is being stimulated by. Current French production cannot meet the demand. As a result, French imports of organic food products have risen steadily by 20 percent since 1993, reaching 30,000 tons in 1998. French processors are in short supply of organic ingredients such as exotic fruits, nuts, honey, milk and grains for animal feed. However, the French Government has announced a FF 60 million ($10 million) action plan to stimulate organic agricultural production with the goal of making France the leading European supplier of organic foods by the year 2010.

Advantages	Challenges
Best prospects are for organic products not grown domestically or not in sufficient quantities, and those that are uniquely American.	Many French processors and consumers prefer locally or regionally grown foods to imports. To better compete, U.S. companies should be able to provide steady supply of high quality products at competitive prices.
Lack of processed/easy-to-prepare organic foods offer opportunities to U.S. companies	U.S. Companies should be accredited for exports to the EU through U.S. certifiers
Organic products are becoming more popular and increasingly carried by supermarkets.	Government support is provided to conventional farmers who want to convert their operations to organic production.
U.S. companies have a geographic disadvantage with higher transport costs to target markets.	Competitors mainly European operate under well developed set of regulations and standards for organic food production and processing which are recognized in target markets.
U.S. companies are reliable suppliers of high-quality innovative organic products.	Increasing competition in organic proteins for animal feed and grains from Central Europe, and milk from Germany and Belgium.

SECTION II. REGULATIONS AND POLICIES

Organic production, labeling, certification and imports in France are governed by the European Union (EU) 2092/91 regulation. For products to be considered organic they must meet current regulations. Monitoring organizations within the Member States are responsible for checking and certifying products. Since January 1, 1998 approved organizations in third countries have had to meet three criteria defined by EU regulations and European standard EN 45011 provisions: (1) independence, (2) impartiality, and (3) efficiency and competence. All third countries desiring to export organic foods should be EU-approved by December 31, 2002. (European standard EN 45011 governs organizations that issue product certifications). Currently, the United States has several certifying agencies under review for EU approval. Until U.S. certifying agencies receive accreditation from the EU, all imports from the United States are subject to a case-by-case authorization procedure conducted in the importing EU member state.

Packaging:
Consumers prefer old-fashioned packaging of traditional, environment-friendly material such as paper, board and glass. Because of its newness, the organic market does not use bulky packaging commonly found in specialized stores.

Labeling:
Labeling requirements for organic food products are identical to those for regular food products. The label should be in French and indicate the following information:

- Name and type of product
- Product country of origin
- Importer's or vendor's name within the EU
- Manufacturer's lot or batch number
- Shelf life (perishables must incidate their date of expiration)
- Statement of contents (i.e., list of ingredients, including nutritional ingredients expressed in metric units)

Note the French Ministry of Agriculture's "AB" (Agriculture Biologique) official logo which goes on every product certified by one of the three French agencies: Ecocert, Qualite France and Ascert International. "AB" guarantees that these products contain only organic raw materials and no chemical additives and colorings. It also shows that producers, importers and distributors are registered with an EU member state organic food trade association. Ecocert, Qualite France and Ascert International conduct inspection tours each year to enforce strict controls on production.

Government Support:
In December 1997, the French Government launched an action plan involving subsidies totalling FF 60 million ($10 million) to stimulate and improve organic production, distribution and sales. This five year plan's objective is to make France Europe's leading supplier of organic foods and raw materials by the year 2010. This goal requires converting one million hectares of farmland for organic production. The Government estimates that by 2010 the number of certified organic producer will grow from 4,000 today to 25,000 and that organic food sales will grow from 0.5 to three or four percent of total retail food sales.

SECTION III. CONSUMPTION AND MARKET SECTORS

A. CONSUMPTION

Most consumers in France fall under three types:

! The Politically/Ideologically Motivated:
Long-time promoters of the environment, animal rights and personal health, they are organic products' loyal consumers. They tend to be well-educated and middle-aged. Belonging to mid- to high- income brackets, they have little concern for price and accessibility. They often shop in health food stores and through direct sale schemes.

! The Health-Conscious:
They are also long-time consumers of organic products. However, they factor price and convenience into their purchasing decisions. They tend to be professionals aged 25 years and above. Concerned less by the environment than by health matters, they select products on the basis of health-related criteria. While they frequent supermarkets they also shop in health food stores.

! The Switchers:
Easily swayed by the media, they are also concerned about the environment and animal welfare. Price and availability determine their purchases. Price premiums must be justified by taste and health benefits. Food scares increase their consumption of organic food. They waver between organic and health foods. They tend to be younger than the two other profiles.

Organic food retail sales are rising among the latter two categories. In Paris, per capita expenditure on organic food products is higher and sales more concentrated.

According to a recent consumer survey conducted by Carrefour, one of France's leading retail chains, the best-selling grocery items are biscuits, crisp breads, galettes, fruit juices and jams, cereals, flour, pastas, rice and bread. In France, the trend toward organic foods began some ten years ago with grains and grain-based products, followed by fruits, vegetables and dairy products. Today, meat and poultry products are still hard to find on the market. Organic fish is even more rare, as, with the exception of fish raised on farms, it is difficult to enforce organic standards among fish suppliers.

The same survey shows that consumers buy organic foods for health concerns, flavor, environmental protection (e.g., the use of recyclable packaging), and practicity (i.e., individual portions). There is growing evidence that rising health consciousness is boosting the image of natural and organic foods. Recent food safety problems, such as BSE, nitrates in water, pesticide residues, high dioxine levels and genetically modified food, are also increasing demand for organic food products.

Another poll, conducted during an organic food show on a sample of 1,000 persons over the age of 18, reveals that 59 percent of organic foods consumers believe organic foods are a passing phase that will have little impact on French eating habits. Only ten percent of respondents regularly eat organic food products, while 38 percent profess eating them from time to time. All respondents agree that organic food products are consumed for their perceived natural and high quality. French consumers recognize the label "AB." 80 percent of organic consumers believe that "AB" -labeled products are subject to strict controls. However, few French consumers associate organic food products with flavor and freshness.

Substantiating organic food consumer profiles, 50 percent of respondents who buy organic food products were between the ages of 25 and 49 and either worked in management positions or were self-employed professionals. This poll implies that consumers who work in manual jobs, are retired, or are unemployed are less likely to buy organic foods.

B. MARKET SECTORS

1. Retail Foods

Entry Strategy

In general, French organic growers sell to processors, retailers or directly to consumers. They reach consumers through farm shops, deliveries, and some 80 organic markets located in large cities. Organized by Nature et Progrès, these weekly markets give growers access to urban dwellers.

Some organic fruit and vegetable products are sold through wholesalers, although this practice is not the norm. Others are sold to groups that band together some producers of a region. In the latter case, groups use logistical companies to broaden their reach of deliveries.

Although they have no contractual agreements, processors buy directly from growers. Both sides prefer to buy and sell on the spot. Processors are also the main buyers of imports. They buy both ingredients and finished products to sell through their marketing organizations. There are some 42 specialized importers, small to medium sized organizations with total sales of approximately FF 50 million ($8 million). They sell only through processors or wholesalers as they do not have the marketing capacity to reach retailers. Some wholesalers also import directly from supply retail outlets. Wholesalers are in a weak position because of the high margins they must maintain in order to procure goods from a large number of small producers and distribute these goods to small retail outlets. To avoid this situation, growers and retailers band together to form their own delivery groups. Similarly, retailers form their own buying groups. Many individual growers are limited by their small sizes from meeting wholesalers requirements.

The best way for a U.S. exporter to penetrate the French market is to deal through an importer or distributor. U.S. companies of branded organic foods should advertize through trade shows and specialized magazines. They may contact the Office of Agricultural Affairs in Paris for a list of specialized trade shows and magazines..

Market Summary

In 1998, the organic food market's overall size in France was estimated to be FF 4 billion ($0.7 billion), making up 0.5 percent of total French retail food sales. This market has been growing at a rate of 12 percent per year and is expected to grow up to 20 percent per year in the coming years.

Estimated Shares of Major Channels of Retail Organic Foods Distribution
in France in 1998
(In percentage)

Supermarkets	45
Health food stores & open air markets	35
Other grocery outlets	10
Direct sales	10

Company Profiles of the Major Retail Organic Outlets

Retailer Name and Outlet Type	Owner ship	Total Sales (in $)	No. Of Outlets	Locations	Purchasing Agent Type
Carrefour	Local	31B	907	France/Spain/ Latin America Asia and Eastern Europe	Direct
Auchan	Local	26B	1041	France and Spain	direct
Casino	Local	16B	3813	France	importer/broker
Cora	Local	7B	63	France/Belgium and Hungary	importer/broker
Leclerc	Local	24B	511	France, Poland, Spain, Portugal	importer/broker
Monoprix Prisunic	Local	3B	321	France	importer/broker
Promodes	Local	22B	3148	France, U.K.	Direct/importer/broker
La Vie Claire	Local	16M	120	France	direct/importer/broker
Biocoop	Local	67M	175	France	direct wholesalers
Aux Rayons Verts	Local	N/A	45	France	Wholesalers importers
Croc Nature	Local	3M	n/a	France	direct importer/broker
Naturalia	Local	5M	10	Paris only	direct importer/broker

Most of the supermarket chains have their own organic food label, carrying an array of products from dry foods to dairy products to meat and to fresh produce. Some retailer outlets have positioned themselves as exclusive sellers of organic products.

Sector Trends

Shares of the French Organic Food Market in 1998

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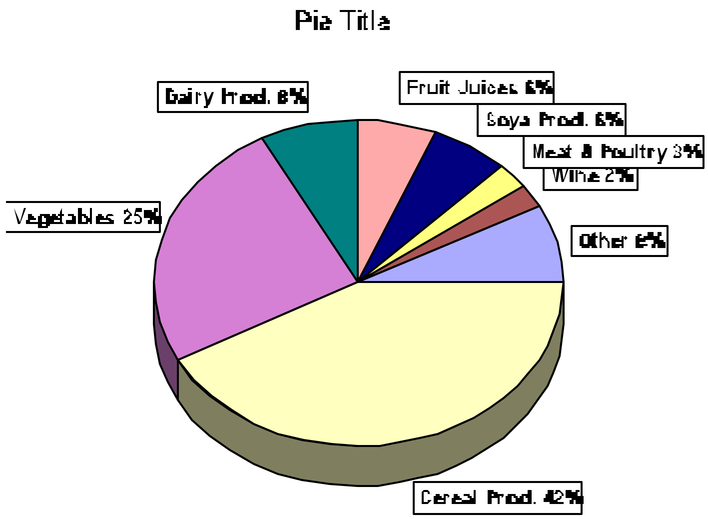

Source:
Bio Convergence (French Professional Association for Organic Foods)

There is no precise data on the growth of these sectors, but interview information gives the following indicative growth rate for the coming years:

Soya Products are currently fashionable and enjoying a robust growth rate in market share. Trade information indicates that the current market share of 6 percent for soya products will continue to grow.

Dairy Products are one of the fastest growing segments of the organic food market. Many of the leading conventional dairies have invested in organic milk production. The French Organic Federation (FNAB) estimates that this market segment will have an annual growth rate of 23 percent within four years. Rising organic milk production has increased the range of processed value-added organic milk and dairy products. An increasing variety of organic cheeses, butter, yogurts and fromages frais is widely available in most retail outlets, with some supermarkets selling their own label dairy products.

Other Products include high value-added items such as prepared meals and dishes that are growing at a fast rate.

Meat and Poultry is a rapidly growing sector. Demand is outstripping supply and retailers are often out of stock. It is likely that food safety issues, such as BSE and dioxin, are driving demand. Supermarket chains like Auchan have signed contracts with organic meat suppliers.

Cereal and Other Processed Products have the largest market share of the organic food market in France. Most of the major French millers deal with organic cereals and organic flour, which are available at local specialist producers. Bakeries and biscuit manufacturers are increasingly moving into the organic marktet.

Fruits and Vegetables have the second largest segment of the organic market after cereals. French retailers are quickly moving into this sector, increasing those products' distribution and availability. Future growth is likely to take place among supermarket chains, although many of these products are currently sold in local open air markets.

In the processed food sector, innovative products like cocktails and baby food drive the fruits and vegetable juices market. However, the organic fruit juice market is supplied largely by imports.

Organic wine's development is limited by laws not fully in place and also by French consumers' doubts that organic wine is an organic product.

Baby food constitutes another growing sector. France has the highest consumption per capita of baby foods in Europe and the market is driven by new and innovative products. Organic baby food includes breakfast cereals and rusks, dehydrated and dried foods, juices and fresh produce.

Forecasts for organic food market growth 1996-2002
($ million at wholesale prices)

Products	1996	2002	% Growth 1996-2002
Cereal products	167	333	200%
Fruit and Vegetables	100	200	200%
Dairy products	33	133	400%
Fruit juices	25	45	180%
Soya products	23	117	500%
Meat and poultry	10	42	417%
Wine	8	13	160%
Others	33	133	400%
TOTAL	399	1016	254%

Source: Bio Convergence forecasts based on interviews with the trade.

Trade:
Exports represent about 17 percent of all French organic products and consist mainly of added value grain products. The major French organic product exports are bulk cereals to Germany and Scandinavian countries. Most exports of dairy products, meat and poultr, and fruit and vegetables go to EU neighboring countries.

Imports in 1998 were valued at about FF 300 million (50 million) and averaged 30,000 tons. Most imports are those products not found on the French market such as certain fruit juices, dried fruits, exotic fruits, cereal based products (cereal bars and mueslies), processed new-to-market organic products (i.e., ready to eat frozen foods and vegetarian meals.) Total imports account for about ten percent of the organic food market. Most come from Germany and the Scandinavian countries while 40% of total imports come from third countries.

The average premium retail price for organic products is 25-35 percent more than that of conventional foods. While retail prices differ from one outlet to another, organic specialized food stores price their items up to 50 percent more than supermarkets do.

The range of organic foods in France is still relatively limited. U.S. exporters who can provide a steady supply of high quality organic products at a reasonable price may find good export opportunities. Unexplored areas are as vegetarian meals, veggie burgers, salad dressings, sauces, mustard, brownies, ethnic dishes, herb teas, baby food and soups. Currently, the demand for soy products rising quickly.

2. Food Ingredients

Entry Strategy and Market Summary

Processors buy organic food ingredients directly from the manufacturers. They are also the main buyers of imports, and buy both ingredients and finished products to sell through marketing organizations.

The best way for a U.S. exporter to penetrate the French market is to deal through local importers/distributors, as local representation and personal contacts are essential entry factors. Also, of importance is the U.S. manufacturers/suppliers of organic food ingredients participation at trade food shows such as the Food/Health Ingredient Show (FIE), the health food/dietetic/organic show (DIETEXPO/FILABIO), and the International Food Show (SIAL). French food processing industry players attend these shows. For information on trade shows contact the Office of Agricultural Affairs (OAA) in Paris.

The organic food processing sector traditionally consists of small and medium-sized artisanal enterprises which produce one to two specialty products and sell them locally. Large agri-food companies are investing in organic foods and are using their names to launch brands available nationwide.

There are around 700 organic food processors in France, most of which process milk or grains. Those who process the latter are millers, bakers, breakfast cereal producers and cookie manufacturers. The organic food processing sector is growing at an average annual growth rate of 17.5 percent. Listed below are the main processors of the branded food segment:

Major French Processing Firms Profile

Company (Product Type)	***Sales ($Mil)***	***End-Use Channels***	***Brands***	***Shares of Organic Dry Grocery Production***	***Production Location***
Nutrition & Santé (cereals, crisp breads, biscuits, sport & energy drinks, and soy foods)	183	retail & food service	Gerblé, Céréal, Gerlinéa, Ovomaltine & Isotar	41.8%	France (part of the multi-national Sandoz)
Distriborg (bread, biscuits, cereal bars, muesli, dried beans, prepared dishes and vegburgers)	197	retail & food service. Distriborg is also France leading distributor	Bjorg	25%	France (Has acquired processors in the U.K., Belgium & Italy)
Danone (dairy products, cookies, cereals, baby food	N/A	retail & food service	Gaylord Hauser & Biovivre	13.5%	France (Multi-national)
La Vie (frozen, dry and refrigerated organic products, cereal products, fruit preserves & vegetable ready-meals)	17	Retail & food service	Le gout de la vie	0.7%	France (has subsidiaries in Belgium-Luxemburg and Spain)

Source: Libre Service Actualités Magazine (LSA)

In addition to the above major organic processing companies, about 21 dairies produce organic dairy products with a wide range of brand names. Total production of organic milk is estimated at 40-50 million liters a year. Some of the largest companies in this sector are Triballat, Noyal, Biogam, Le Domaine de la Croix Morin, Fromagerie Marcel Petite. Some large general dairy cooperatives such as Eurial Poitouraine, Danone, Besnier and Entremont, are also entering the market.

Sector Trends

The rise in in organic food consumption has pushed up demand for organic ingredients such as spices, aromas, and plant extracts. The best prospects among basic organic food ingredients are grains, almonds, pistachios, dried fruits (dates, apricots, prunes), flour which are primarily used for baking by the major food processors, as well as tropical fruits, milk and organic proteins for animal feed. Most organic ingredients come from EU countries, Germany and Belgium being the largest suppliers of milk. Central Europe is the leading supplier of grains.

3. Food service products

The organic food service sector remains underdeveloped in France. There are about 80 organic food restaurants in France, most of which are in large cities. Consumers' perceptions of these restaurants are that they are austere and unattractive. These restaurants do not have the trappings of traditional French restaurants in regions where gastronomy is a source of pride and a topic of conversation and interest. Concerns about pesticides/additives and other food safety issues in France have not converted restaurant goers to organic food restaurants. It is no surprise that regular restaurants do not serve organic foods.

SECTION III. PRODUCTION AND PROMOTION

A. PRODUCTION

Total French area of land used for organic farming is currently 142,300 hectares, compared to 82,000 hectares four years ago. Much of organic farming is located in the south of France. Only a few are in the Northwest region with approximately 3600 producers and 700 processors of organic food products. France currently ranks sixth, within the EU, behind Austria, Sweden Denmark, Finland and Germany.

Evolution of the Organic Farming in France

	1997	1998	% Change 98/97
Number of Organic Farming	4,780	6,130	+28
ORGANIC PRODUCTION AREAS (in hectares)			
Grains	22,900	24,600	+9
Oilseeds	5,900	5,400	-7
Protein seeds	1,200	1,700	+42
Vegetables	4,000	4,200	+5
Fruits	3,300	3,700	+14
Vineyard	4,700	4,800	+2
Grazing and fodder	71,800	87,600	+22
TOTAL	122,300	142,300	+16
ORGANIC ANIMAL PRODUCTION (in heads)			
Dairy cows	15,100	19,600	+30
Suckling cows	12,800	15,900	+24
Suckling sheep	21,900	30,900	+41
Laying hens	691,000	1,044,000	+51
Poultry meat	2,336,000	3,594,000	+54
Hogs for pork meat	8,400	20,900	+149

Source: French Observatory of Organic Farming

B. PROMOTION

The French Promotional Agency, SOPEXA, promotes agricultural and food products on domestic and international markets. Promotional activities are financed by trade associations and the industry. However, SOPEXA does not promote organic foods. Such activities are carried out by a few private companies.

SECTION IV. PROMOTIONAL ACTIVITIES

Current demand for organic food is growing faster than supply, making the needs for promotional activities scarce. In fact, very few companies have the resources to spend on advertising.

Publicity for organic foods is therefore limited to advertisements for particular products in specialized publications. Explanatory leaflets for the consumers have been widely used. Most of these leaflets contain information on organic production.

Growth sales of major processing firms like Distriborg and Nutrition et Santé, as well as increased sales of retail supermarket chains like Carrefour will change this situation. Through their brands, these companies have now ventured into TV advertizing. Organic articles in consumer magazines indicates a growing interest in and concern among consumers for product quality, value and trust. However, the market has yet to mature to require price or quantity promotions.

SECTION IV. POST CONTACTS AND FURTHER INFORMATION

French Governmental Regulatory Agencies

Label et Certification des Produits Biologiques
Direction des Politiques Economique et Internationale (DPEI)
MINISTERE DE L'AGRICULTURE ET DE LA PECHE
251, rue de Vaugirard
75732 Paris Cedex 15
Tel: (33-1) 49 55 8003
Fax: (33-1) 49 55 5948
Email: jean-yves.martin@agriculture.gouv.fr

Bureau C3 - Loyauté
Direction Générale de la Concurrence, de la Consommation
et de la Répression des Fraudes (DGCCRF)
MINISTERE DE L'ECONOMIE DES FINANCES ET DE L'INDUSTRIE
59, boulevard Vincent Auriol
75783 Paris Cedex 13
Tel: (33-1) 44 97 3230
Fax: (33-1) 44 97 3043
Email: herve.pottier@dgccrf.finances.gouv.fr

French Organic Certifying Agencies

ECOCERT SARL
BP 47
32600 L'Isle-Jourdain
Tel: (33-5) 62 07 3424
Fax: (33-5) 62 07 1167
Email: ecocert@iway.fr

QUALITE FRANCE
18, rue Volney
75002 Paris
Tel: (33-1) 42 61 5823
Fax: (33-1) 42 60 5161
Email: bio@qualite-fran.asso.fr

AFAC - ASCERT INTERNATIONAL
116, avenue Aristide Briand
BP 83
94225 Bagneux Cedex
Tel: (33-1) 46 15 7060
Fax: (33-1) 46 15 7069
Internet: www.afac.org

Organic Product Trade Associations

European Association of Organic Processors and Distributors:

SETRAB (Syndicat Européen des Transformateurs et Distributeurs de
produits de l'Agriculure Biologique)
Bercy Expo
40, avenue des Terroirs de France
75611 Paris Cedex 12
Tel: (33-1) 44 74 5356
Fax: (33-1) 44 74 5276
Email: setrab@wanadoo.fr/setrab@setrabio.com

Professional Association for Organic Food:

BIO CONVERGENCE
16, rue Claude Bernard
75231 Paris Cedex 05
Tel: (33-1) 44 08 7299
Fax: (33-1) 44 08 1700
Email: mcm.bioconvergence@wanadoo.fr

Observatoire National de l'Agriculture Biologique
ASSEMBLEE PERMANENTE DES CHAMBRES D'AGRICULTURE (APCA)
9, avenue George V
75008 Paris
Tel: (33-1) 53 57 1010
Fax: (33-1) 53 57 1005
Email: N/A

Major directory of French organic food business:

OECP Editions
Publisher of l'Annuaire Vert
11, rue Saint Amboise
75011 Paris
Tel: (33-1) 47 00 4646
Fax: (33-147 00 2491
Email: info@vert-world.com

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Should you have questions or comments on this report or on French processors/manufactures, importers or distributors, or should you need assistance in exporting high value food products to France, please contact the Office of Agricultural Affairs in Paris at the following address:

Office of Agricultural Affairs
American Embassy
2 , avenue Gabriel
75382 Paris Cedex 08
Tel: (33-1) 43 12 2264
Fax: (33-1) 43 12 2662
Email: fasparis@compuserve.com
homepage: http://www.amb-usa.fr/fas/fas.htm

For more information on exporting U.S. food products to France, visit our homepage. The OAA homepage includes information on the HRI and Retail food sector, Food Agricultural Import Regulations and Standards, product briefs on the market potential for U.S. products, upcoming trade shows and fairs in France.

For more information on exporting U.S. agricultural products to other countries, please visit the Foreign Agricultural Service home page: http://www.fas.usda.gov.

In addition, information on organic products including a monthly organic newsletter, can be found at the Horticultural and Tropical Products Division homepage (http://www.fas.usda.gov/htp/organics.html).